

AUXIER ROAD GAS COMPANY, INC.

Post Office Box 785
Prestonsburg, Kentucky 41653

Sallye Branham
President

Phone (606) 886-2314
Facsimile (606) 889-9995

June 2, 2008

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P O Box 615
Frankfort, KY 40602-0615

RECEIVED

JUN 4 2008

**PUBLIC SERVICE
COMMISSION**

Re: Auxier Road Gas Co., Inc.
Rate Case: 2008-00156

Dear Ms. Stumbo:

This is a response to the Public Service Commission letter to Auxier Road Gas Co., Inc. dated May 30, 2008 regarding a filing deficiency pursuant to 807 KAR 5:011 Section 10(2) – to revise certain but, not all, fees included in our tariff. Attached is a copy of our existing tariff and a revised tariff reflecting the proposed changes along with the Nonrecurring Charge Cost Justification forms.

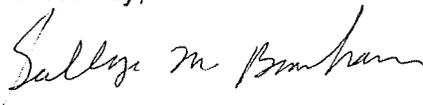
Auxier is currently experiencing negative earnings and has filed for a rate case. Therefore, the additional income generated by the tariff filing will not result in an increase in the rate of return to a level greater than that proposed in our current rate case.

Auxier Road Gas Co., Inc. has published the enclosed public notice of the requested rate and tariff changes in the local newspaper for three consecutive weeks. We have also enclosed a copy of the affidavit from the newspaper.

A copy of this response and related filings has been sent to the Office of the Attorney General, State Capital Building, Suite 118, Frankfort, KY 40601.

If you need any further information please do not hesitate to contact us at the above listed address.

Sincerely,



Sallye M. Branham, President

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: RECONNECTION CHARGE for re-establishing service within 12 mos

1. Field Expense:

A.	Materials (Itemize)	
	<u> Pipe dope</u>	<u> \$ 2.25</u>
	<u> Rubbers to seal off meter</u>	<u> 3.75</u>
	_____	_____
	_____	_____
B.	Labor (Time and Wage)	
	<u> 4 hrs @ \$12.25 per hr.</u>	<u> 49.00</u>
	_____	_____
	Total Field Expense	<u>\$ 55.00</u>

2. Clerical and Office Expense

A.	Supplies	<u> \$ 5.00</u>
B.	Labor	<u> 20.00</u>
	Total Clerical and Office Expense	<u>\$ 25.00</u>

3. Miscellaneous Expense

A.	Transportation	<u> \$ 20.00</u>
B.	Other (Itemize)	
	_____	_____
	_____	_____
	_____	_____
	Total Miscellaneous Expense	<u>\$ 20.00</u>

Total Nonrecurring Charge Expense \$100.00

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: SERVICE CHARGE - Insufficient funds

1. Field Expense:

A. Materials (Itemize)

_____	\$ _____
_____	_____
_____	_____

B. Labor (Time and Wage)

_____	_____
-------	-------

Total Field Expense \$ _____

2. Clerical and Office Expense

A. Supplies \$ 5.00

B. Labor 10.00

Total Clerical and Office Expense \$ 15.00

3. Miscellaneous Expense

A. Transportation \$ _____

B. Other (Itemize)

_____	_____
_____	_____
_____	_____

Total Miscellaneous Expense \$ _____

Total Nonrecurring Charge Expense \$ 15.00

FOR Entire Area Served

P.S.C. Ky. No. 11

Original Sheet No. 2

Cancelling P.S.C. Ky. No. 1

4th Revised Sheet No. 243

Auxier Road Gas Company, Inc.

RULES AND REGULATIONS

(6) Each customer shall be installed a separate meter, and no building having more than one tenant shall be served by a single meter.

(7) Meter reading will be taken between 22-29th of each month and mailed on or before the 1st day of each month.

(8) Accounts not paid 10 days after mailing date shall be subject to a 10% penalty on the total bill due.

(9) A reconnection charge of ~~\$35.00~~ ^{50.00} shall be paid before service is restored following disconnection for non-payment of bill.

(10) A reconnection charge for customers who request discontinuance of service and subsequently re-establishes service at the same premises within twelve (12) months is ~~\$50.00~~ ^{100.00}.

(11) A transfer of service charge for customers moving from one location to another is ~~\$20.00~~ ^{25.00}.

(12) A service charge of ~~\$15.00~~ ^{15.00} will be made to collect a delinquent bill after written notice has been mailed to the customer stating that the bill is delinquent. Failure to pay the account at this time will result in termination of service.

(13) A service charge of ~~\$10.00~~ ^{15.00} will be made to any customer whose check is returned from the bank for insufficient funds. The account shall be considered in arrears and subject to termination under 307 KAR 5:006, Sect 11.

(14) Mobile trailers shall be considered temporary service and subject to a connection charge of \$75.00. If service line, meter loop, etc., are in place the charge shall be \$25.00.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

OCT 18 1987

PURSUANT TO 807 KAR 5:011,
SECTION 9(1)

BY: Steve Miller
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE September 15, 1987 DATE EFFECTIVE 10 18 87
Month Day Year Month Day Year

ISSUED BY Estell B. Branham President P.O. Box 785 Prestonsburg, Ky
Name of Officer Title Address 41653

FOR Entire Area Served

P.S.C. KY No. _____

_____ Sheet No. _____

AUXIER ROAD GAS CO., INC.

Cancelling P.S.C. KY No. _____

_____ Sheet No. _____

RULES AND REGULATIONS

- (6) Each customer shall be installed a separate meter, and no building having more than one tenant shall be served by a single meter.
 - (7) Meter reading will be taken between 22-29th of each month and mailed on or before the 1st day of each month.
 - (8) Accounts not paid 10 days after mailing date shall be subject to a 10% penalty on the total bill due.
 - (9) A reconnection charge of \$50.00 shall be paid before service is restored following disconnection for non-payment of bill.
 - (10) A reconnection charge for customers who request discontinuance of service and subsequently re-establishes service at the same premises within twelve (12) months is \$100.00.
 - (11) A transfer of service charge for customers moving from one location to another is \$20.00.
 - (12) A service charge of \$25.00 will be made to collect a delinquent bill after written notice has been mailed to the customer stating that the bill is delinquent. Failure to pay the amount at this time will result in termination of service.
 - (13) A service charge of \$15.00 will be made to any customer whose check is returned from the bank for insufficient funds. The account shall be considered in arrears and subject to termination under 807 KAR 5:006, Sec. 11.
 - (14) Mobile trailers shall be considered temporary service and subject to a connection charge of \$75.00. If service line, meter loop, etc. are in place the charge shall be \$25.00.
-

DATE OF ISSUE 5/12/2008

DATE EFFECTIVE June 15, 2008

ISSUED BY Sully M. Brankham President

FOR Entire Area Served

P.S.C. Ky. No. _____

Sheet No. _____

AUXIER ROAD GAS COMPANY, INC.

Cancelling P.S.C. Ky. No. _____

Sheet No. _____

RULES AND REGULATIONS

The GCR will be added to or subtracted from the latest base tariff rates prescribed by Commission Order in the tariff rates stated on each applicable rate sheet within this tariff.

Definitions

For purposes of this tariff:

1. "Average Expected Cost" is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonable expected to be in effect during the ~~calendar~~ ^{month} quarter, on purchased volumes for the most recently available twelve-month period, divided by the corresponding sales volume. In the event that line loss exceeds 5 percent, purchased volumes for the twelve-month period shall be calculated as: sales volumes + .95. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustment of this type shall be described in the quarterly GCR application.
2. The "GCR" is the total of the expected gas cost and all adjustments.
3. The "Calendar Quarters" are: 1st January, February, and March; 2nd April, May, and June; 3rd July, August, and September; and 4th October, November, and December.
4. "Reporting Period" means the three month accounting period that ended approximately 60 days prior to the filing date of the updated gas cost recovery rates, i.e., the calendar quarters ended March 31, June 30, September 30 and December 31 of each year.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 10 1991

PURSUANT TO 807 KAR 5.011,

SECTION 9(1)

DATE OF ISSUE May 14 1991
Month Day Year

DATE EFFECTIVE April 10 1991
Month Day Year

ISSUED BY Estell Brasham
Name of Officer

President
Title

Hyatt Chandler
PUBLIC SERVICE COMMISSION MANAGER
Prestonsburg, KY
Address

FOR Entire Area Served

P.S.C. Ky. No. _____

Sheet No. _____

AUXIER ROAD GAS COMPANY, INC.

Cancelling P.S.C. Ky. No. _____

Sheet No. _____

RULES AND REGULATIONS

GAS COST ADJUSTMENT CLAUSE

Determination of GCR

The Company shall file a gas cost recovery rate (GCR) with the Commission at least ³⁰ ~~30~~ days prior to the first day of each ^{month} ~~calendar~~ quarter. The GCR shall become effective for billing for service rendered on and after the first day of each ^{month} ~~calendar~~ quarter.

The gas cost recovery rate is comprised of:

1. The expected gas cost (EGC) on a dollar-per-Mcf basis, which represents the average expected cost of purchased gas based on 12 months of actual usage.
2. The actual adjustment (AA), on a dollar-per-Mcf basis, which compensates for differences between previous quarters' expected gas cost and the actual cost of gas. The AA shall equal the sum of the AA for the reporting period and for the three preceding calendar quarters.
3. The supplier refund adjustment (RA) on a dollar-per-Mcf basis, which reflects the refunds received from suppliers during the reporting period plus interest at a rate equal to one-half of one percent below the average 90-day commercial paper rate for the twelve-month period. In the event of any large or unusual refund, the company may apply to the Commission for the right to depart from the refund procedures set forth herein.
4. The balance adjustment (BA) on a dollar-per-Mcf basis, which compensates for any remaining under- or over-collections which have occurred as a result of prior actual, refund, and balance adjustments.

Billing

The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following components:

$GCR = EGC + AA + RA + BA$

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 10 1991

DATE OF ISSUE May 14 1991
Month Day Year

DATE EFFECTIVE APR 10 1991
Year

PURSUANT TO 807 KAR 5.01
SECTION 9(1)
BY: Clayton D. Hester
PUBLIC SERVICE COMMISSION MANAGER

ISSUED BY Esther L. Brantley President

FOR _____

P.S.C. KY No. _____

_____ Sheet No. _____

Cancelling P.S.C. KY No. _____

_____ Sheet No. _____

AUXIER ROAD GAS CO., INC.

RULES AND REGULATIONS

The GCR will be added to or subtracted from the latest base tariff rates prescribed by Commission Order in the tariff rates stated on each applicable rate sheet within this tariff.

Definitions

For purposes of this tariff:

1. "Average Expected Cost" is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonable expected to be in effect during the month, on purchased volumes for the most recently available twelve-month period, divided by the corresponding sales volume. In the event that line loss exceeds 5 percent, purchased volumes for the twelve-month period shall be calculated as: sales volumes + .95. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustment of this type shall be described in the quarterly GCR application.
2. The "GCR" is the total of the expected gas cost and all adjustments.
3. The "Calendar Quarters" are: 1st January, February, and March; 2nd April, May, June; 3rd July, August, September and 4th October, November, and December.
4. "Reporting Period" means the three month accounting period that ended approximately 60 days prior to the filing date of the updated gas cost recovery rates, i.e., the calendar quarters ended March 31, June 30, September 30 and December 31 of each year.

DATE OF ISSUE 5-12-2008

DATE EFFECTIVE June 15, 2008

ISSUED BY Sally M. Bramble President

FOR _____

P.S.C. KY No. _____

_____ Sheet No. _____

Cancelling P.S.C. KY No. _____

_____ Sheet No. _____

AUXIER ROAD GAS CO., INC.

RULES AND REGULATIONS

GAS COST ADJUSTMENT CLAUSE

Determination of GCR

The Company shall file a gas cost recovery rate (GCR) with the Commission at least 20 days prior to the first day of each month. The GCR shall become effective for billing for service rendered on and after the first day of each month.

The gas cost recovery rate is comprised of:

1. The expected gas cost (EGC) on a dollar-per-Mcf basis, which represents the average expected cost of purchased gas based on 12 months of actual usage.
2. The actual adjustment (AA), on a dollar-per-Mcf basis, which compensates for differences between previous quarters' expected gas cost and the actual cost of gas. The AA shall equal the sum of the AA for the reporting period and for the three preceding calendar quarters.
3. The supplier refund adjustment (RA) on a dollar-per-Mcf basis, which reflects the refunds received from suppliers during the reporting period plus interest at a rate equal to one-half of one percent below the average 90-day commercial paper rate for the twelve-month period. In the event of any large or unusual refund, the company may apply to the Commission for the right to depart from the refund procedures set forth herein.
4. The balance adjustment (BA) on a dollar-per-Mcf basis, which compensates for any remaining under-or over-collections which have occurred as a result of prior actual, refund, and balance adjustments.

Billing

The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following components:

$$\text{GCR} = \text{EGC} + \text{AA} + \text{RA} + \text{BA}$$

DATE OF ISSUE 5/12/2008

DATE EFFECTIVE June 15, 2008

ISSUED BY Salvy M. Brantley President

NOTICE TO CUSTOMERS

The rates contained in this notice are the rates proposed by Auxier Road Gas Co., Inc. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice. Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 211 Sower Blvd, P O Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from Auxier Road Gas Co., Inc. at P O Box 785, Prestonsburg, KY 41653. Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

	CURRENT BASE RATE	PROPOSED BASE RATE	PROPOSED INCREASE	PROPOSED % INCREASE
1 st MCF	5.11	6.36	1.25	24.46%
All over	4.2599	5.5099	1.25	29.34%

The tariff revisions for nonrecurring charges are as follows:

- 1) A reconnection charge of \$50.00 shall be paid before service is restored following disconnection for nonpayment of bill.
- 2) A reconnection charge for customers who request discontinuance of service and subsequently re-establishes service at the same premises within twelve (12) months is \$100.00.
- 3) A service charge of \$25.00 will be made to collect a delinquent bill after written notice has been mailed to the customer stating that the bill is delinquent. Failure to pay the account at this time will result in termination of service.
- 4) A service charge of \$15.00 will be made to any customer whose check is returned from the bank for insufficient funds. The account shall be considered in arrears and subject to termination under 807 KAR 5:006, Section 11.

~~Newspaper Affidavit~~

I Evelena Osborne of The Floyd County Times, published at Prestonsburg and having the largest general circulation of any newspaper in Floyd County, Kentucky, do hereby certify that from my own knowledge and a check of the files of this newspaper that the advertisement of Notice To Customers for Auxier Road Gas Co.

was inserted in The Floyd County Times on the following dates:

Date: 5-2-08 Page No. B8 Column No. 2-4

Date: 5-7-08 Page No. A14 Column No. 1-3

Date: 5-14-08 Page No. A14 Column No. 1-3

Date: _____ Page No. _____ Column No. _____

Date: _____ Page No. _____ Column No. _____

Date: _____ Page No. _____ Column No. _____

Signature Evelena Osborne

Subscribed and sworn to me by Evelena Osborne on this Day 14th of May 2008

Notary Public: Humbert Tramm

My commission Expires: May 13, 2009

Newspaper Affidavit

I, Nancy Daniels, of The Paintsville Herald, published at Paintsville, Kentucky, and having the largest general circulation of any newspaper in Johnson County, Kentucky, do hereby certify that from my own knowledge and a check of the files of this newspaper that the advertisement

of Notice to Customers

for Auxier Road Gas was inserted in

The Paintsville Herald on the following dates:

Date: 5/21/08 Page No.: A-7 Column No.: 283

Date: 5/14/08 Page No.: A-11 Column No.: 506

Date: 5/7/08 Page No.: A-3 Column No.: 102

Date: _____ Page No.: _____ Column No.: _____

Signature: Nancy Daniels

Subscribed and sworn to before me by Nancy Daniels this the 2nd day of JUNE, 2008

Notary Public: [Signature]
County of: Johnson

My commission expires: April 2, 2011